

BENDLE PUBLIC SCHOOLS
BURTON, MICHIGAN
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2005

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Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

August 3, 2005

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Bendle Public Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bendle Public Schools, as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Bendle Public Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bendle Public Schools as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated August 3, 2005 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages II - VII and 17, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bendle Public Schools' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lewis & Knopf P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

BENDLE PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Bendle Public Schools, a K-12 school District located in Genesee County, Michigan, is in its third year of implementation of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Bendle Public Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2005.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

BENDLE PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

District Wide Financial Statements: (Continued)

These two statements report the Bendle Public Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreases in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal years ended June 30, 2005 and 2004:

NET ASSETS SUMMARY

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Current Assets	\$4,896,809	\$5,452,103
Non-Current Assets	<u>1,794,042</u>	<u>1,600,629</u>
<u>TOTAL ASSETS</u>	<u>\$6,690,851</u>	<u>\$7,052,732</u>
<u>LIABILITIES</u>		
Current Liabilities	\$1,362,886	\$1,313,809
Long-Term Liabilities	<u>851,582</u>	<u>951,234</u>
Total Liabilities	\$2,214,468	\$2,265,043
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	1,004,931	721,518
Restricted - Debt Service	0	51
Restricted - Capital Projects	(136,470)	107,534
Unrestricted	<u>3,607,922</u>	<u>3,958,586</u>
Total Net Assets	<u>\$4,476,383</u>	<u>\$4,787,689</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$6,690,851</u>	<u>\$7,052,732</u>

BENDLE PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2005 and 2004, the District wide results of operations were:

	<u>2005</u>	<u>2004</u>
<u>REVENUES</u>		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$814,663	\$781,957
Property Taxes Levied for Capital Projects	181,856	171,795
State of Michigan Unrestricted Foundation Aid	8,890,203	9,033,563
Other General Revenues	<u>264,268</u>	<u>212,953</u>
Total General Revenues	\$10,150,990	\$10,200,268
<u>Operating Grants:</u>		
Federal	1,997,583	1,432,169
State of Michigan	978,247	1,010,022
Other	<u>83,894</u>	<u>84,190</u>
Total Operating Grants	\$3,059,724	\$2,526,381
<u>Charges for Services:</u>		
Food Service	114,408	130,687
Athletics	31,563	32,801
Other Charges for Services	<u>219,330</u>	<u>221,107</u>
Total Charges for Services	\$365,301	\$384,595
Total Revenues	<u>\$13,576,015</u>	<u>\$13,111,244</u>
<u>EXPENSES</u>		
Instruction & Instructional Support	8,224,927	7,971,357
Support Services	4,697,519	4,133,654
Community Services	139,700	0
Food Service	511,295	375,912
Athletics	216,883	212,958
Interest on Long-Term Debt	31,136	40,312
Depreciation	<u>65,861</u>	<u>64,134</u>
Total Expenses	<u>\$13,887,321</u>	<u>\$12,798,327</u>
<u>INCREASE IN NET ASSETS</u>	(\$311,306)	\$312,917
<u>BEGINNING NET ASSETS</u>	<u>4,787,689</u>	<u>4,474,772</u>
<u>ENDING NET ASSETS</u>	<u><u>\$4,476,383</u></u>	<u><u>\$4,787,689</u></u>

BENDLE PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2005, the District's Total Net Assets decreased by \$311,306 to a total of \$4,476,383. The largest portion of the net assets are the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) increased by \$283,413 during the year due to purchases of new capital assets exceeding depreciation and principal payments on related debt. The districts Unrestricted Net Assets decreased by \$350,664 during the year and the restricted portion of the net assets decreased by \$244,055. The restricted Net Assets consist of the Investment in Capital Assets-net of related Debt, the restricted debt retirement funds that may only be used to pay bonded debt and restricted capital projects funds that may only be used to fund capital projects. The unrestricted net assets may be used to fund the educational services provided to students.

Analysis of Results of Operations

The district's overall expenses exceeded its revenues for the year by \$311,306. The total revenues increased by \$464,771. The major change was an increase in grant funding in the amount of \$595,075. Expenditures increased by \$1,088,994. Major changes in expenditures included 2.5% wage increases for employees (\$372,907) and increased grant obligations of \$596,075.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund decreased by \$287,941 during the year with the decrease coming primarily from a decrease in cash. Revenues for the year increased by \$392,905; primarily due to increases in grant funding. Expenditures and other financing uses increased by \$967,452, which was primarily due to employee wage increases of 2.5% and increased grant obligations. The major source of general fund revenues is state aid and taxes. An analysis of the sources is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
- c. The District's non-homestead tax levy

2. Per Student Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Bendle Public Schools foundation allowance was \$6,700 per student for the 2004-2005 school year.

BENDLE PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

3. Student Enrollment:

The District's student enrollment for the fall count of 2004-2005 was 1,467 students. A decrease of 32 students from the prior year.

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 17.8776 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2004-2005 fiscal year was \$810,965. This represents an increase of \$29,008 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance	Variance Actual
				Original & Final Budget %	& Final Budget %
Revenue	\$12,801,141	\$12,874,294	\$12,862,972	(0.57)	(0.09)
Expenditures	12,841,531	13,360,684	13,150,913	4.04	1.57
<u>TOTAL</u>	<u>(\$40,390)</u>	<u>(\$486,390)</u>	<u>(\$287,941)</u>		

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Bendle Public Schools amends its budget during the school year. The June, 2005 budget amendment was the final budget for the fiscal year.

Original vs. Final Budgets

Revenues

Variances in the budgeted revenues from the original to the final budget was a result of unanticipated grant funding received during the 2004-05 school year.

Expenditures

Variances in the budgeted expenditures from the original to the final budget was anticipated expenditures in the alternative and adult education programs.

BENDLE PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

ANALYSIS OF BUDGETS:

Actual Results vs. Final Budgets

Revenues

The variance in the revenues from the actual results versus the final budget of \$11,591 was the result of anticipated reimbursement for grant funded expenditures which did not occur.

Expenditures

The variance of \$209,771 in the actual expenditures versus the final budget was the result of a reduction in expenditures in the alternative and adult education program.

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance 7-01-04	Increases 6-30-05	Principal Payments 6-30-05	Principal Balance 6-30-05
Durant Bonds	\$129,111	\$0	\$0	\$129,111
2001 Building & Site Bonds	750,000	0	90,000	660,000
Sick Days Payable	162,123	5,130	0	167,253
<u>Total Long-Term Debt</u>	<u>\$1,041,234</u>	<u>\$5,130</u>	<u>\$90,000</u>	<u>\$956,364</u>

B. Capital Assets

The district's net investment in capital assets increased by \$193,413 during the fiscal year. This can be summarized as follows:

	BALANCE JULY 1, 2004	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2005
Capital Assets	\$5,264,153	\$371,327	\$0	\$5,635,480
Less: Accumulated Depreciation	(3,663,524)	(177,914)	0	(3,841,438)
<u>Net Investment Capital Outlay</u>	<u>\$1,600,629</u>	<u>\$193,413</u>	<u>\$0</u>	<u>\$1,794,042</u>

Significant additions was the resurfacing of the parking lots.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, please contact the Business Office, Bendle Public Schools.

BENDLE PUBLIC SCHOOLS
STATEMENTS OF NET ASSETS
JUNE 30, 2005 AND 2004

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$3,025,992	\$3,532,641
Accounts Receivable	67	64,797
Taxes Receivable	3,977	0
Due from Other Governmental Units	1,858,174	1,846,696
Inventory	8,599	7,969
Total Current Assets	<u>\$4,896,809</u>	<u>\$5,452,103</u>
<u>NON-CURRENT ASSETS</u>		
Capital Assets	5,635,480	5,264,153
Less: Accumulated Depreciation	<u>(3,841,438)</u>	<u>(3,663,524)</u>
Total Noncurrent Assets	<u>\$1,794,042</u>	<u>\$1,600,629</u>
<u>TOTAL ASSETS</u>	<u>\$6,690,851</u>	<u>\$7,052,732</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	438,027	428,125
Accrued Expenses	275,263	270,153
Salaries Payable	544,814	525,531
Current Portion of Long-Term Obligations	104,782	90,000
Total Current Liabilities	<u>\$1,362,886</u>	<u>\$1,313,809</u>
<u>NON-CURRENT LIABILITIES</u>		
Noncurrent Portion of Long-Term Obligations	<u>851,582</u>	<u>951,234</u>
<u>TOTAL LIABILITIES</u>	<u>\$2,214,468</u>	<u>\$2,265,043</u>
<u>NET ASSETS</u>		
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	1,004,931	721,518
Restricted for:		
Debt Service	0	51
Capital Projects	(136,470)	107,534
Unrestricted	<u>3,607,922</u>	<u>3,958,586</u>
<u>TOTAL NET ASSETS</u>	<u>\$4,476,383</u>	<u>\$4,787,689</u>

See accompanying notes to the basic financial statements.

BENDLE PUBLIC SCHOOLS
STATEMENTS OF ACTIVITIES
JUNE 30, 2005 AND 2004

FUNCTIONS/PROGRAMS	2005			2004	
	Expenses	Program Revenues		Net (Expense) Revenue & Change in Net Assets	Net (Expense) Revenue & Change in Net Assets
		Charges For Services	Operating Grants and Contributions		
Governmental Activities:					
Instruction	\$8,224,927	\$0	\$2,666,863	(\$5,558,064)	(\$5,781,560)
Support Services	4,697,519	168,845	53,419	(4,475,255)	(3,874,054)
Community Services	139,700	50,485	0	(89,215)	0
Food Service	511,295	114,408	339,442	(57,445)	52,866
Athletics	216,883	31,563	0	(185,320)	(180,157)
Interest on Long-Term Obligation	31,136	0	0	(31,136)	(40,312)
Depreciation - Unallocated	65,861	0	0	(65,861)	(64,134)
<u>TOTALS</u>	<u>\$13,887,321</u>	<u>\$365,301</u>	<u>\$3,059,724</u>	<u>(\$10,462,296)</u>	<u>(\$9,887,351)</u>
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purposes				996,519	953,752
State Aid				8,890,203	9,033,563
Grants and Contributions Not Restricted to					
Specific Programs				90,282	91,592
Investment Earnings				38,878	16,004
Miscellaneous				135,108	105,357
Total General Revenues and Transfers				<u>\$10,150,990</u>	<u>\$10,200,268</u>
Change in Net Assets				(\$311,306)	\$312,917
Net Assets - Beginning				<u>4,787,689</u>	<u>4,474,772</u>
<u>Net Assets - Ending</u>				<u>\$4,476,383</u>	<u>\$4,787,689</u>

See accompanying notes to the basic financial statements.

BENDLE PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$2,795,507	\$230,485	\$3,025,992
Accounts Receivable	67	0	67
Taxes Receivable	3,699	278	3,977
Due from Other Funds	187,722	58,592	246,314
Due from Other Governmental Units	1,858,174	0	1,858,174
Inventory	0	8,599	8,599
<u>TOTAL ASSETS</u>	<u>\$4,845,169</u>	<u>\$297,954</u>	<u>\$5,143,123</u>
<u>LIABILITIES</u>			
Accounts Payable	\$412,879	\$25,148	\$438,027
Due to Other Funds	58,592	187,722	246,314
Accrued Expenses	270,570	0	270,570
Salaries Payable	544,814	0	544,814
Total Liabilities	\$1,286,855	\$212,870	\$1,499,725
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	0	8,599	8,599
Capital Projects	0	(136,470)	(136,470)
Unreserved:			
Undesignated, Reported In:			
General Fund	3,558,314	0	3,558,314
School Service Funds	0	212,955	212,955
Total Fund Balances	<u>\$3,558,314</u>	<u>\$85,084</u>	<u>\$3,643,398</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$4,845,169</u>	<u>\$297,954</u>	<u>\$5,143,123</u>

See accompanying notes to the basic financial statements.

BENDLE PUBLIC SCHOOLS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2005

Total Governmental Fund Balances:			\$3,643,398
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$5,635,480 and the accumulated depreciation is \$3,841,438			1,794,042
Accrued Interest on Long-Term Debt			(4,693)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:			
Bonds Payable		\$789,111	
Sick Days Payable		167,253	
Total Long-Term Liabilities			<u>(956,364)</u>
<u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u>			<u>\$4,476,383</u>

BENDLE PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
<u>REVENUES</u>			
Local Sources	\$1,135,215	\$373,601	\$1,508,816
State Sources	9,854,589	13,861	9,868,450
Federal Sources	1,672,002	325,581	1,997,583
Total Revenues	\$12,661,806	\$713,043	\$13,374,849
<u>EXPENDITURES</u>			
Current:			
Instruction	8,174,167	0	8,174,167
Student Services	955,272	0	955,272
Instructional Support	846,687	0	846,687
General Administration	322,238	0	322,238
School Administration	817,133	0	817,133
Business Administration	15,637	0	15,637
Operation & Maintenance of Plant	1,184,629	0	1,184,629
Transportation	192,922	0	192,922
Support Services - Other	11,618	0	11,618
Community Services	139,700	0	139,700
Food Service	0	760,381	760,381
Debt Service	0	121,721	121,721
Capital Outlay	0	306,168	306,168
Total Expenditures	\$12,660,003	\$1,188,270	\$13,848,273
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	\$1,803	(\$475,227)	(\$473,424)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from (to) Other Funds	(172,994)	172,994	0
Other Transfers	(116,750)	0	(116,750)
Total Other Financing Sources (Uses)	(289,744)	172,994	(116,750)
Net Change in Fund Balance	(\$287,941)	(\$302,233)	(\$590,174)
<u>FUND BALANCE - BEGINNING</u>	3,846,255	387,317	4,233,572
<u>FUND BALANCE - ENDING</u>	\$3,558,314	\$85,084	\$3,643,398

See accompanying notes to the basic financial statements.

BENDLE PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Total net change in fund balances - governmental funds	(\$590,174)
--	-------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	193,413
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	90,000
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Change in accrued interest on long-term liabilities	585
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Increase in accrued compensated absences	<u>(5,130)</u>
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<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u><u>(\$311,306)</u></u>
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BENDLE PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2005

	Trust & Agency
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$125,626</u>
<u>TOTAL ASSETS</u>	<u>\$125,626</u>
 <u>LIABILITIES</u>	
Due to Student Groups	<u>\$125,626</u>
<u>TOTAL LIABILITIES</u>	<u>\$125,626</u>

See accompanying notes to the basic financial statements.

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Bendle Public Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two school service funds: Food Service and Athletic Funds.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Sinking Capital Projects Fund

The Sinking Capital Projects Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District audits of Bonded Construction Funds and of Sinking Funds in Michigan. Voters in the School District authorized 1.9812 mills on April 23, 2002 for ten years to be used for school facility improvements by the School District. The District is currently using this millage to pay the principal and interest payments due for the 2001 Building and Site bonds and facility renovations as appropriate.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

P.A. 621 of 1978, Section 18 (1), as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2005, the District had no investments.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2005, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service. The District's investments in commercial paper were rated A1 by Standard & Poor's, F-1 by Fitch Ratings, and P-1 by Moody's Investors Service. The District's investments in corporate bonds were rated AAA by Standard & Poor's and Fitch Ratings, and AAA by Moody's Investors Service.

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2005, \$119,522 of the District's bank balance of \$3,560,010 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2005, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 1,791,788
Federal Grants	66,386
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 1,858,174</u>

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2005, the School District had \$9,881 in estimated claims in conjunction with the program.

8) SHORT-TERM DEBT

The District has various options for short-term financing including tax anticipation notes, state aid anticipation notes and lines of credit. The District entered into no short-term financing arrangements during the fiscal year ended June 30, 2005.

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>BALANCE</u> <u>JULY 1, 2004</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2005</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$3,867,556	\$0	\$0	\$3,867,556
Land Improvements	385,193	323,719	0	708,912
Equipment and Furniture	709,125	47,608	0	756,733
Vehicles	302,279	0	0	302,279
Totals at Historical Cost	\$5,264,153	\$371,327	\$0	\$5,635,480
Less: Accumulated Depreciation				
Buildings and Improvements	(2,692,425)	(53,226)	0	(2,745,651)
Land Improvements	(193,104)	(14,766)	0	(207,870)
Equipment and Furniture	(556,246)	(82,513)	0	(638,759)
Vehicles	(221,749)	(27,409)	0	(249,158)
Total Accumulated Depreciation	<u>(\$3,663,524)</u>	<u>(\$177,914)</u>	<u>\$0</u>	<u>(\$3,841,438)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$1,600,629</u>	<u>\$193,413</u>	<u>\$0</u>	<u>\$1,794,042</u>

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

9) CAPITAL ASSETS (Continued)

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 50,760
Support Services	45,888
Food Service	8,374
Athletics	7,031
Unallocated	<u>65,861</u>
 <u>TOTAL DEPRECIATION EXPENSE</u>	 <u>\$ 177,914</u>

10) GENERAL LONG-TERM DEBT

A) Durant Resolution Package Bonds

Bendle Public Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$202,096 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2005 was \$129,111. The legislature refinanced the repayment schedule during the year ended June 30, 2003.

B) Bendle Public Schools issued 2001 general obligation - limited tax bonds for the purpose of renovating South Bendle Elementary and expand the existing parking lot.

The bonds are dated May 1, 2001 in the aggregate amount of \$990,000 and require annual payments of principal and interest. The interest rates range from 3.60% to 4.50% per annum. The principal balance at June 30, 2005 was \$660,000.

C) Annual Principal Requirements

The annual principal requirements for all debts outstanding as of June 30, 2005 are as follows:

	BONDS PAYABLE	INTEREST	TOTAL
June 30, 2006	\$104,782	\$32,570	\$137,352
June 30, 2007	110,246	28,304	138,550
June 30, 2008	152,235	39,996	192,231
June 30, 2009	126,247	18,795	145,042
June 30, 2010	131,782	13,314	145,096
June 30, 2011-2013	<u>163,819</u>	<u>9,379</u>	<u>173,198</u>
 <u>TOTAL</u>	 <u>\$789,111</u>	 <u>\$142,358</u>	 <u>\$931,469</u>

The payment dates of sick and longevity days payable is undeterminable. The interest expenditures on long-term obligations for the year ended June 30, 2005, was \$31,670.

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

10) GENERAL LONG-TERM DEBT (Continued)

D) Changes in General Long-Term Debt

	BALANCE			BALANCE	AMOUNT DUE
<u>Governmental Activities:</u>	<u>JULY 1, 2004</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>JUNE 30, 2005</u>	<u>IN ONE YEAR</u>
Durant Bonds	\$129,111	\$0	\$0	\$129,111	\$9,782
2001 Building & Site Bonds	750,000	0	90,000	660,000	95,000
Sick Days Payable	162,123	5,130	0	167,253	0
<u>Total Governmental Activities</u>	<u>\$1,041,234</u>	<u>\$5,130</u>	<u>\$90,000</u>	<u>\$956,364</u>	<u>\$104,782</u>

11) INTERFUND ACTIVITY

Interfund balances at June 30, 2005 consisted of the following:

DUE TO	DUE FROM		
	GENERAL	SPECIAL	
	FUND	REVENUE	TOTAL
General Fund	\$0	\$58,592	\$58,592
Capital Projects Fund	187,722	0	187,722
<u>TOTAL</u>	<u>\$187,722</u>	<u>\$58,592</u>	<u>\$246,314</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

12) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2005, consisted of the following:

TRANSFERS TO	TRANSFERS FROM
	GENERAL
	FUND
Athletics Fund	\$172,994

These transfers were made to subsidize the cost of services for athletics.

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

13) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 12.99 percent for the period July 1, 2004 through September 30, 2004 and 14.87 percent for the period October 1, 2004 through June 30, 2005 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPERS pension plan for the years ended June 30, 2005, 2004 and 2003 were \$1,083,415, \$951,847 and \$950,787, respectively.

Postemployment Benefits

Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPERS pension plan discussed above.

14) RISK MANAGEMENT

The District is exposed to various risks of losses in conducting its operations, from property and casualty, theft, damages to various tort and liability claims, and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

15) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs, principal of which are the Title I, Special Education Cluster and Technology Literacy Challenge grants. These programs are subject to program compliance audits. The audit of these programs for and including the year ended June 30, 2005, have been conducted and have been reported in this audit report. However, the compliance audit report has not yet been accepted by the grantor. The amount, if any, of expenditures which may be disallowed by the grantor agency cannot be determined at this time; although the District expects such amounts, if any, to be immaterial.

REQUIRED
SUPPLEMENTARY
INFORMATION

BENDLE PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$1,111,256	\$1,157,865	\$1,135,215	(\$22,650)
State Sources	10,034,977	9,864,520	9,854,589	(9,931)
Federal Sources	1,219,679	1,649,264	1,672,002	22,738
Total Revenues	\$12,365,912	\$12,671,649	\$12,661,806	(\$9,843)
<u>EXPENDITURES</u>				
Current:				
Instruction	8,198,473	8,284,232	8,174,167	110,065
Student Services	834,389	971,566	955,272	16,294
Instructional Support	452,391	866,332	846,687	19,645
General Administration	307,598	328,656	322,238	6,418
School Administration	837,473	826,370	817,133	9,237
Business Administration	22,441	18,169	15,637	2,532
Operation & Maintenance of Plant	1,261,771	1,199,573	1,184,629	14,944
Transportation	197,965	200,120	192,922	7,198
Support Services - Other	23,448	13,122	11,618	1,504
Community Services	0	147,966	139,700	8,266
Total Expenditures	\$12,135,949	\$12,856,106	\$12,660,003	\$196,103
Excess of Revenues Over Expenditures	\$229,963	(\$184,457)	\$1,803	\$186,260
<u>OTHER FINANCING SOURCES (USES)</u>	<u>(270,353)</u>	<u>(301,933)</u>	<u>(289,744)</u>	<u>12,189</u>
Net Change in Fund Balance	(\$40,390)	(\$486,390)	(\$287,941)	\$198,449
<u>FUND BALANCE - BEGINNING</u>			<u>3,846,255</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$3,558,314</u>	

OTHER SUPPLEMENTAL
INFORMATION

BENDLE PUBLIC SCHOOLS
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2005

	School Service Fund	Debt Service Fund	Sinking Capital Projects Fund	Total Other Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$179,511	\$0	\$50,974	\$230,485
Taxes Receivable	0	0	278	278
Due from Other Funds	58,592	0	0	58,592
Inventory	8,599	0	0	8,599
<u>TOTAL ASSETS</u>	<u>\$246,702</u>	<u>\$0</u>	<u>\$51,252</u>	<u>\$297,954</u>
<u>LIABILITIES</u>				
Accounts Payable	\$25,148	\$0	\$0	\$25,148
Due to Other Funds	0	0	187,722	187,722
Total Liabilities	\$25,148	\$0	\$187,722	\$212,870
<u>FUND BALANCES</u>				
Reserved For:				
Inventory	8,599	0	0	8,599
Debt Retirement	0	0	0	0
Capital Projects	0	0	(136,470)	(136,470)
Unreserved:				
Undesignated, Reported In:				
School Service Fund	212,955	0	0	212,955
Total Fund Balances	\$221,554	\$0	(\$136,470)	\$85,084
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$246,702</u>	<u>\$0</u>	<u>\$51,252</u>	<u>\$297,954</u>

BENDLE PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	School Service Fund	Debt Service Fund	Sinking Capital Projects Fund	Total Other Governmental Funds
<u>REVENUES</u>				
Local Sources	\$189,767	\$0	\$183,834	\$373,601
State Sources	13,861	0	0	13,861
Federal Sources	325,581	0	0	325,581
Total Revenues	\$529,209	\$0	\$183,834	\$713,043
<u>OTHER FINANCING SOURCES (USES)</u>	172,994	121,670	(121,670)	172,994
Total Revenues & Other Financing Sources	\$702,203	\$121,670	\$62,164	\$886,037
<u>EXPENDITURES</u>				
Food Service	760,381	0	0	760,381
Debt Service				
Principal		90,000	0	90,000
Interest		31,670	0	31,670
Dues and Fees	0	51	0	51
Capital Projects				
Other	0	0	306,168	306,168
Total Expenditures	\$760,381	\$121,721	\$306,168	\$1,188,270
Net Change in Fund Balance	(\$58,178)	(\$51)	(\$244,004)	(\$302,233)
<u>NET ASSETS - BEGINNING</u>	279,732	51	107,534	387,317
<u>NET ASSETS - ENDING</u>	\$221,554	\$0	(\$136,470)	\$85,084

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
SCHOOL SERVICE FUND
COMBINING BALANCE SHEET
AS OF JUNE 30, 2005

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$176,785	\$2,726	\$179,511
Due from Other Funds	58,592	0	58,592
Inventory	8,599	0	8,599
<u>TOTAL ASSETS</u>	<u>\$243,976</u>	<u>\$2,726</u>	<u>\$246,702</u>
<u>LIABILITIES</u>			
Accounts Payable	\$25,148	\$0	\$25,148
<u>FUND EQUITY</u>			
Reserved for Inventory	8,599	0	8,599
Unreserved and Undesignated	210,229	2,726	212,955
Total Fund Equity	\$218,828	\$2,726	\$221,554
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$243,976</u>	<u>\$2,726</u>	<u>\$246,702</u>

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
SCHOOL SERVICE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Cafeteria Sales	\$114,408	\$0	\$114,408
Athletic Activities	0	31,563	31,563
Interest	3,387	155	3,542
Other Local Sources	36,723	3,531	40,254
Total Local Sources	<u>\$154,518</u>	<u>\$35,249</u>	<u>\$189,767</u>
<u>State Sources</u>			
State Reimbursements	13,861	0	13,861
<u>Federal Sources</u>			
Federal Reimbursements	294,112	0	294,112
Commodities	31,469	0	31,469
Total Federal Sources	<u>\$325,581</u>	<u>\$0</u>	<u>\$325,581</u>
Total Revenues	<u>\$493,960</u>	<u>\$35,249</u>	<u>\$529,209</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from General Fund	0	172,994	172,994
Total Revenues and Other Financing Sources	<u>\$493,960</u>	<u>\$208,243</u>	<u>\$702,203</u>
<u>EXPENDITURES</u>			
Salaries - Professional	0	41,325	41,325
Salaries - Non-Professional	146,152	85,627	231,779
Fica, Retirement, Etc.	32,586	28,348	60,934
Purchased Services	12,880	15,282	28,162
Supplies and Materials	246,811	34,083	280,894
Capital Outlay	111,679	0	111,679
Other	421	5,187	5,608
Total Expenditures	<u>\$550,529</u>	<u>\$209,852</u>	<u>\$760,381</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u>	<u>(\$56,569)</u>	<u>(\$1,609)</u>	<u>(\$58,178)</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$275,397</u>	<u>\$4,335</u>	<u>\$279,732</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$218,828</u>	<u>\$2,726</u>	<u>\$221,554</u>

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED JUNE 30, 2005

REVENUES FROMLocal Sources

Property Tax Levy	\$814,663
Earnings on Investments and Deposits	33,358
Tuition - Latch Key and Adult Education	50,485
Medicaid Fee for Service	33,209
Bridges Grant	50,685
Other Local Revenues	152,815
Total Revenues from Local Sources	<u>\$1,135,215</u>

State Sources

State Aid - Foundation - Sec. 20	8,890,203
Headlee	337,611
At Risk	357,507
Adult Ed	140,426
Vocational Education	1,733
MI School Readiness	105,600
Other State Grants	1,299
Durant Funds	20,210
Total Revenues from State Sources	<u>\$9,854,589</u>

Federal Sources

Special Education - Preschool	19,585
Special Education Flowthrough	300,156
Improving Teacher Quality	120,755
CDC Grant/CSHP Tech Assist Grant	4,000
Even Start	67,086
Technology Literacy from Flint Schools	488,221
Technology Literacy	11,123
Other Grants from ISD	40,925
Comp School Reform	103,634
Title I	511,158
Title V	5,359
Total Revenues from Federal Sources	<u>\$1,672,002</u>
Total Revenues	<u>\$12,661,806</u>

OTHER FINANCING SOURCES

Transfers from Other Governmental Units	9,226
County Special Education Tax	144,619
Other Transfers	23,995
Refund of Prior Year Expenditures	23,326
Total Other Financing Sources	<u>\$201,166</u>

TOTAL REVENUES AND OTHER FINANCING SOURCES

\$12,862,972

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2005

INSTRUCTIONBASIC PROGRAMSSouth Bendle Elementary

Salaries - Professional	\$773,937
Salaries - Non-Professional	23,240
Insurances	116,920
Fica, Retirement, Etc.	179,504
Supplies and Materials	30,677
Total South Bendle Elementary	<u>\$1,124,278</u>

West Bendle Elementary

Salaries - Professional	707,360
Salaries - Non-Professional	49,819
Insurances	146,544
Fica, Retirement, Etc.	164,155
Supplies and Materials	46,203
Total West Bendle Elementary	<u>\$1,114,081</u>

Friel Elementary

Salaries - Professional	29,677
Salaries - Non-Professional	1,400
Insurances	11,159
Fica, Retirement, Etc.	6,969
Supplies and Materials	612
Total Friel Elementary	<u>\$49,817</u>

Middle School

Salaries - Professional	902,606
Salaries - Non-Professional	32,180
Insurances	178,139
Fica, Retirement, Etc.	207,736
Purchased Services	86,531
Supplies and Materials	46,650
Total Middle School	<u>\$1,453,842</u>

High School

Salaries - Professional	766,107
Salaries - Non-Professional	26,122
Insurances	171,369
Fica, Retirement, Etc.	175,483
Purchased Services	21,026
Supplies and Materials	60,849
Capital Outlay	41,931
Total High School	<u>\$1,262,887</u>

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2005

INSTRUCTION (Continued)BASIC PROGRAMS (Continued)Preschool

Salaries - Non-Professional	\$825
Fica, Retirement, Etc.	184
Total Preschool	<u>\$1,009</u>

<u>Total Basic Programs</u>	\$5,005,914
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ADDED NEEDSSpecial Education

Salaries - Professional	625,093
Salaries - Non-Professional	11,992
Insurances	104,125
Fica, Retirement, Etc.	142,787
Supplies and Materials	22,789
Total Special Education	<u>\$906,786</u>

Compensatory Education

Salaries - Professional	295,272
Insurances	12,769
Fica, Retirement, Etc.	66,134
Purchased Services	1,209
Supplies and Materials	504,570
Other	82,498
Total Compensatory Education	<u>\$962,452</u>

<u>Total Added Needs</u>	\$1,869,238
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ADULT/CONTINUING EDUCATION

Salaries - Professional	744,428
Salaries - Non-Professional	70,976
Insurances	166,291
Fica, Retirement, Etc.	179,323
Purchased Services	104,458
Supplies and Materials	27,674
Capital Outlay	1,896
Other	3,969
Total Adult/Continuing Education	<u>\$1,299,015</u>

<u>Total Instruction</u>	\$8,174,167
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BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2005

SUPPORT SERVICESSTUDENT SERVICES

Salaries - Professional	\$425,624
Salaries - Non-Professional	151,271
Insurances	64,815
Fica, Retirement, Etc.	126,501
Purchased Services	70,388
Supplies and Materials	39,072
Capital Outlay	77,601
Total Student Services	<u>\$955,272</u>

INSTRUCTIONAL STAFF

Salaries - Professional	274,371
Salaries - Non-Professional	209,907
Insurances	68,814
Fica, Retirement, Etc.	106,320
Purchased Services	93,623
Supplies and Materials	93,652
Total Instructional Staff	<u>\$846,687</u>

GENERAL ADMINISTRATION

Salaries - Professional	118,662
Salaries - Non-Professional	107,185
Insurances	24,072
Fica, Retirement, Etc.	45,429
Purchased Services	15,629
Supplies and Materials	4,470
Other	6,791
Total General Administration	<u>\$322,238</u>

SCHOOL ADMINISTRATION

Salaries - Professional	402,866
Salaries - Non-Professional	178,922
Insurances	106,551
Fica, Retirement, Etc.	128,429
Supplies and Materials	365
Total School Administration	<u>\$817,133</u>

BUSINESS OFFICE

Purchased Services	11,955
Other	3,682
Total Business Office	<u>\$15,637</u>

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2005

SUPPORT SERVICES (Continued)OPERATION & MAINTENANCE OF PLANT

Salaries - Non-Professional	\$195,199
Insurances	56,744
Fica, Retirement, Etc.	104,502
Purchased Services	429,547
Supplies and Materials	352,801
Capital Outlay	45,836
Total Operation and Maintenance of Plant	<u>\$1,184,629</u>

TRANSPORTATION

Salaries - Non-Professional	120,657
Insurances	16,481
Fica, Retirement, Etc.	21,432
Purchased Services	9,793
Supplies and Materials	24,009
Other	550
Total Transportation	<u>\$192,922</u>

OTHER SUPPORT SERVICES

Purchased Services	10,957
Supplies and Materials	661
Total Other Support Services	<u>\$11,618</u>

Total Support Services	\$4,346,136
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COMMUNITY SERVICES

Salaries - Professional	37,235
Salaries - Non-Professional	77,650
Fica, Retirement, Etc.	24,329
Supplies and Materials	182
Other	304
Total Community Services	<u>\$139,700</u>

<u>Total Expenditures</u>	\$12,660,003
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OTHER FINANCING USES

Transfers to Other Districts	317,916
Transfer to Other Funds	172,994
Total Other Financing Uses	<u>\$490,910</u>

<u>TOTAL EXPENDITURES AND OTHER FINANCING USES</u>	<u>\$13,150,913</u>
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BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2005

STUDENT ACTIVITY	DUE TO (FROM) STUDENT GROUPS			DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2004	RECEIPTS	DISBURSEMENTS	JUNE 30, 2005	
Administrative	\$8,028	\$139,615	\$140,355	\$7,288	
Adult Ed - L. Weiss Fund	1,019	569	0	1,588	
Adult Ed Scholarship	856	0	0	856	
Alumni Funds	6,567	362	0	6,929	
Atlantis - Prom Committee	1,007	4,730	5,501	236	
Atlantis - Student Gov.	1,969	0	56	1,913	
Atlantis - Yearbook	1,783	2,748	1,710	2,821	
B.E.A. Library Fund	2,844	703	0	3,547	
BHS Scoreboard Fund	250	0	0	250	
Boys Youth Basketball	31	0	0	31	
C. Russian Memorial Fund	8,901	12,257	11,833	9,325	
Class of 2004	362	0	362	0	
Class of 2005	2,989	3,406	4,588	1,807	
Class of 2006	2,239	5,242	5,757	1,724	
Class of 2007	1,057	1,710	1,283	1,484	
Class of 2008	0	2,670	1,515	1,155	
Community Ed. - Misc.	4,371	3,788	1,920	6,239	
Corbett Memorial Fund	1,598	0	0	1,598	
GAC League Student Council	0	1,772	375	1,397	
Girls Youth Basketball	0	738	663	75	
H.O.S.T.S.	2,284	2,126	2,100	2,310	
HS - Band	1,016	0	680	336	
HS - Baseball	752	0	601	151	
HS - Basketball - Boys	434	4,937	5,355	16	
HS - Basketball - Girls	786	2,702	3,043	445	
HS - Cheerleading	69	2,640	2,189	520	
HS - Concessions	7,074	8,944	8,581	7,437	
HS - Cross Country	59	51	0	110	
HS - Drafting	261	0	0	261	
HS - Drama	480	0	0	480	
HS - Football	2,342	5,862	8,187	17	
HS - Gator Account	208	0	0	208	
HS - Library Club	217	0	0	217	
HS - Math Club	185	0	29	156	
HS - Office	3,193	6,611	5,177	4,627	
HS - Office Co-Op	24	0	0	24	
HS - Power Lifting - Girls	305	0	0	305	
HS - Quiz Bowl	6	0	0	6	
HS - Softball - Girls	851	810	1,661	0	
HS - Spanish Club	913	0	0	913	
HS - Student Council	1,393	60	0	1,453	
HS - Teachers Lounge	507	0	0	507	
HS - Technology	105	0	0	105	

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN

TRUST AND AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2005

STUDENT ACTIVITY	DUE TO (FROM) STUDENT GROUPS		DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2004	RECEIPTS	DISBURSEMENTS	JUNE 30, 2005
HS - Teen Advisory Council	\$113	\$0	\$0	\$113
HS - Track - Boys	21	0	0	21
HS - Track - Girls	652	0	640	12
HS - Vocal Music	6	0	0	6
HS - Volleyball	703	0	410	293
HS - Wrestling	1,040	904	248	1,696
HS - Yearbook	3	3,275	3,268	10
L.K. Westgate Memorial Fund	418	0	0	418
L.M.E.	60	6,527	6,377	210
Marketing Program	1,050	0	0	1,050
Michigan Mystics Scholarship	5,000	0	0	5,000
MS - Band	4	0	0	4
MS - Cheerleaders	347	203	464	86
MS - Girls Basketball	0	667	596	71
MS - Library Club	556	3,776	3,880	452
MS - N.J. Honor Society	28	0	25	3
MS - Office Activity	4,785	40,776	38,594	6,967
MS - Special Olympics	128	0	0	128
MS - Student Council	121	0	0	121
MS - Vocal Music	311	0	0	311
MS - Youth Advisory	43	0	0	43
National Honor Society	392	778	968	202
P. Ackerman Memorial Fund	335	0	0	335
Project Close Up	4,805	3,712	4,308	4,209
Projectionist Club/ SADD	23	0	0	23
S.A.D.D.	216	0	0	216
Service Learning	68	347	340	75
Shirley Card Memorial Fund	25	0	0	25
South Student Council	17,997	30,840	32,288	16,549
Unidentified Deposits	208	0	0	208
V. Jones Literacy Fund	500	0	0	500
West Library	144	3,109	2,898	355
West Music Boosters	387	821	718	490
West Office Fund	1,223	6,751	6,998	976
West Student Council	16,033	16,569	19,021	13,581
<u>TOTALS</u>	<u>\$127,080</u>	<u>\$334,108</u>	<u>\$335,562</u>	<u>\$125,626</u>

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2005

DATE OF ISSUE - November 24, 1998

Original amount of issue - \$202,096

1998 DURANT RESOLUTION PACKAGE BONDS

<u>PAYMENT DATE MAY 15TH</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL FISCAL YEAR REQUIREMENTS</u>
2006	\$9,782	4.761353%	\$4,410	\$14,192
2007	10,246	4.761353%	3,944	14,190
2008	47,235	4.761353%	19,736	66,971
2009	11,247	4.761353%	2,945	14,192
2010	11,782	4.761353%	2,409	14,191
2011	12,343	4.761353%	1,848	14,191
2012	12,930	4.761353%	1,261	14,191
2013	13,546	4.761353%	645	14,191
<u>TOTAL</u>	<u>\$129,111</u>		<u>\$37,198</u>	<u>\$166,309</u>

DATE OF ISSUE - May 1, 2001

Original amount of issue - \$990,000

2001 GENERAL OBLIGATION LIMITED TAX BONDS

<u>PAYMENT DATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>INTEREST REQUIREMENT MAY 1</u>	<u>INTEREST REQUIREMENT NOVEMBER 1</u>	<u>TOTAL FISCAL YEAR REQUIREMENTS</u>
2006	\$95,000	4.00%	\$14,080	\$14,080	\$123,160
2007	100,000	4.10%	12,180	12,180	124,360
2008	105,000	4.20%	10,130	10,130	125,260
2009	115,000	4.30%	7,925	7,925	130,850
2010	120,000	4.40%	5,453	5,453	130,905
2011	125,000	4.50%	2,813	2,813	130,625
<u>TOTAL</u>	<u>\$660,000</u>		<u>\$52,580</u>	<u>\$52,580</u>	<u>\$765,160</u>

BENDLE PUBLIC SCHOOLS
BURTON, MICHIGAN
FEDERAL AWARDS
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2005

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Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

August 3, 2005

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of
Bendle Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bendle Public Schools, as of and for the year ended June 30, 2005, which collectively comprise the Bendle Public Schools' financial statements and have issued our report thereon dated August 3, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bendle Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bendle Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of Bendle Public Schools, in a separate letter dated August 3, 2005.

This report is intended solely for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis & Knopf P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

August 3, 2005

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Education of
Bendle Public Schools

Compliance

We have audited the compliance of Bendle Public Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Bendle Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Bendle Public Schools' management. Our responsibility is to express an opinion on Bendle Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bendle Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Bendle Public Schools' compliance with those requirements.

In our opinion, Bendle Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Bendle Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Bendle Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.



Bendle Public Schools

Page 2

August 3, 2005

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bendle Public Schools, as of and for the year ended June 30, 2005, and have issued our report thereon dated August 3, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Bendle Public Schools', basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis & Knopf P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR/ PASS - THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Michigan Department of Education			
Title I Grants to Local Educational Agencies	84.010		
ESEA Title I - Regular (03-04)		41530-0304	\$73,485
ESEA Title I - Regular (04-05)		51530-0405	437,673
Total Title I Grants to Local Educational Agencies			<u>\$511,158</u>
Innovative Education Program Strategie:	84.298		
Title V (04-05)		50250-0405	5,359
Technology Literacy Challenge	84.318		
Technology Literacy Challenge (04-05)		54290-0405	11,123
Comprehensive School Reform Demonstration	84.332		
Comp School Reform (03-04)		31870-0304	100,000
Comp School Reform (04-05)		41870-0405	103,634
Total Comprehensive School Reform Demonstration			<u>\$203,634</u>
Improving Teacher Quality	84.367		
Title IIA (04-05)		50520-0405	120,755
Total Passed Through Michigan Department of Education			<u>\$852,029</u>
Passed Through Genesee Intermediate School District			
Special Education - Grants to States:	84.027		
IDEA Flowthrough (04-05)		50490-TS	1,362
Transition Services (04-05)		50450-0405	298,794
Total Special Education - Grants to States			<u>\$300,156</u>
Special Education - Preschool Grants	84.173		
IDEA Preschool Incentive (04-05)		50460-0405	19,585
Safe & Drug Free Learning	84.184L		
Safe & Drug-Free Learning (03-04)		S184LO20281-3	21,281
CM White Physical Fitness (Pep Grant)	84.215F		
CM White Physical Fitness (03-04)		Q215F031137	7,632
Emergency Response Plans (03-04)	87.184E		
Total Passed Through Genesee Intermediate School District		Q184E030509	<u>5,000</u>
			<u>\$353,654</u>
Passed Through Carman-Ainsworth School District			
Even Start - State Educational Agencies:	84.213		
Even Start (03-04)		040390	86,668
Even Start (04-05)		040390	67,086
Total Even Start - State Educational Agencies:			<u>\$153,754</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2004	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENT IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2005
\$0	\$0	\$73,485	\$0	\$73,485	\$0
0	0	437,673	0	384,789	52,884
<u>\$0</u>	<u>\$0</u>	<u>\$511,158</u>	<u>\$0</u>	<u>\$458,274</u>	<u>\$52,884</u>
0	0	5,359	0	5,359	0
0	0	11,123	0	11,123	0
16,942	100,000	0	0	16,942	0
0	0	103,634	0	103,634	0
<u>\$16,942</u>	<u>\$100,000</u>	<u>\$103,634</u>	<u>\$0</u>	<u>\$120,576</u>	<u>\$0</u>
0	0	120,755	0	120,755	0
<u>\$16,942</u>	<u>\$100,000</u>	<u>\$752,029</u>	<u>\$0</u>	<u>\$716,087</u>	<u>\$52,884</u>
0	0	1,362	0	1,362	0
0	0	298,794	0	285,292	13,502
<u>\$0</u>	<u>\$0</u>	<u>\$300,156</u>	<u>\$0</u>	<u>\$286,654</u>	<u>\$13,502</u>
0	0	19,585	0	19,585	0
0	1,200	20,081	0	20,081	0
0	4,000	3,632	0	3,632	0
0	0	5,000	0	5,000	0
<u>\$0</u>	<u>\$5,200</u>	<u>\$348,454</u>	<u>\$0</u>	<u>\$334,952</u>	<u>\$13,502</u>
12,580	86,668	0	0	12,580	0
0	0	67,086	0	67,086	0
<u>\$12,580</u>	<u>\$86,668</u>	<u>\$67,086</u>	<u>\$0</u>	<u>\$79,666</u>	<u>\$0</u>

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR/ PASS - THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Flint Community School:			
Technology Literacy Challenge	84.318		
Freedom to Learn (04-05) - Cycle 2 & 3		54280-3	\$455,000
Freedom to Learn (04-05) - Cycle 4		44280-4	25,221
Freedom to Learn (04-05) - Cycle 4		54280-4	8,000
Total Technology Literacy Challenge			<u>\$488,221</u>
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			<u>\$1,847,658</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Michigan Department of Education			
Food Distribution	10.550		
Entitlement Commodities		N/A	25,446
Bonus Commodities		N/A	6,023
Total Food Distribution			<u>\$31,469</u>
School Breakfast Program	10.553	N/A	66,524
School Snack Program	10.555	N/A	4,413
National School Lunch Program	10.555	N/A	<u>223,175</u>
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>			<u>\$325,581</u>
<u>U.S. DEPARTMENT OF LABOR</u>			
Passed Through Genesee Intermediate School District			
WIA Title I Year Round Youth Services (04-05)	17.259	007-K-04	100
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through Michigan Department of Education			
CDC Grant/CSHP Tech Assist Grant	93.938		
School Health Teams - A		030400-SHI0305A	1,000
School Health Teams - B		034400-SHI0305B	1,000
School Health Teams - C		034400-SHI0305C	1,000
School Health Teams - D		034400-SHI0305D	1,000
Total CDC Grant/CSHP Tech Assist Grant			<u>\$4,000</u>
Medical Assistance Program Title XIX	93.778		
Medicaid Outreach Claims (04-05)		N/A	<u>12,112</u>
<u>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			<u>\$16,112</u>
<u>TOTAL FEDERAL AWARDS</u>			<u>\$2,189,451</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2004	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENT IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2005
\$0	\$0	\$455,000	\$0	\$455,000	\$0
0	0	25,221	0	25,221	0
0	0	8,000	0	8,000	0
<u>\$0</u>	<u>\$0</u>	<u>\$488,221</u>	<u>\$0</u>	<u>\$488,221</u>	<u>\$0</u>
\$29,522	\$191,868	\$1,655,790	\$0	\$1,618,926	\$66,386
0	0	25,446	0	25,446	0
0	0	6,023	0	6,023	0
<u>\$0</u>	<u>\$0</u>	<u>\$31,469</u>	<u>\$0</u>	<u>\$31,469</u>	<u>\$0</u>
0	0	66,524	0	66,524	0
0	0	4,413	0	4,413	0
0	0	223,175	0	223,175	0
<u>\$0</u>	<u>\$0</u>	<u>\$325,581</u>	<u>\$0</u>	<u>\$325,581</u>	<u>\$0</u>
0	0	100	0	100	0
0	0	1,000	0	1,000	0
0	0	1,000	0	1,000	0
0	0	1,000	0	1,000	0
0	0	1,000	0	1,000	0
<u>\$0</u>	<u>\$0</u>	<u>\$4,000</u>	<u>\$0</u>	<u>\$4,000</u>	<u>\$0</u>
0	0	12,112	0	12,112	0
<u>\$0</u>	<u>\$0</u>	<u>\$16,112</u>	<u>\$0</u>	<u>\$16,112</u>	<u>\$0</u>
<u>\$29,522</u>	<u>\$191,868</u>	<u>\$1,997,583</u>	<u>\$0</u>	<u>\$1,960,719</u>	<u>\$66,386</u>

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL REVENUE RECOGNIZED FOR SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

\$1,997,583

FEDERAL REVENUE RECOGNIZED PER THE GENERAL
PURPOSE FINANCIAL STATEMENTS PURPOSE

General Fund

\$1,672,002

School Service Fund

325,581

TOTAL

\$1,997,583

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 7 of this report.
- 3) As of the date of completion of fieldwork, the Schedule of Transfers to Sub-Recipients from the Intermediate School Districts was not available. The amounts shown on the Schedule of Federal Financial Assistance as flow through from the Intermediate School Districts may not be conclusive.

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
RECONCILIATION OF FORM R 7120 " GRANT SECTION AUDITOR'S REPORT"
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Current Payments Per the Grant Section Auditor's Report (Form R 7120)		\$1,006,024
<u>Add:</u> Adjustment to Breakfast Program (CFDA 10.553) on R7120		8,175
<u>Add:</u> Grants Passed Through Genesee Intermediate School District:		
Special Education - Grants to States (CFDA 84.027)	\$286,654	
Special Education - Preschool Incentive (CFDA 84.173)	19,585	
Safe and Drug Free Learning (CFDA 84.184L)	20,081	
CM White Physical Fitness - Pep Grant (CFDA 84.215F)	3,632	
Emergency Response (CFDA (87.184E)	5,000	
Total Grants Passed Through Genesee Intermediate School District		334,952
Amount Passed Through Carman-Ainsworth School District:		
Even Start (CFDA 84.213)		79,666
Amount Passed Through Flint Community Schools		
Technology Literacy Grant (CFDA 84.318)		488,221
Amount Passed Through U.S. Department of Health and Human Services:		
via Genesee Intermediate School District		
Medicaid Outreach Claims (CFDA 93.778)		12,112
Amount Passed Through U.S. Department of Labor:		
via Genesee Intermediate School District		
WIA Title I Year Round Youth Services (CFDA 17.259)		100
Entitlement and Bonus Commodities (CFDA 10.550)		31,469
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF</u> <u>EXPENDITURES OF FEDERAL AWARDS</u>		<u>\$1,960,719</u>

BENDLE PUBLIC SCHOOLS- BURTON, MICHIGAN
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)
84.010
84.027/84.173
84.318

Name of Federal Program or Cluster
Title I
Special Education Cluster
Technology Literacy Challenge

Dollar threshold use to distinguish between type A and type B programs:

\$ 300,000.00

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no current year findings.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no current year findings.

BENDLE PUBLIC SCHOOLS- BURTON, MICHIGAN
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005

2004-1) Title I (CFDA #84.010)

<u>Specific Requirement:</u>	Allowable Cost/Cost Principles.
<u>Condition:</u>	The District did not complete the time certifications required for employees working solely on a single Federal award or cost objective.
<u>Criteria:</u>	The cost principles of OMB Circular A-87 require, "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee".
<u>Effect of Condition:</u>	Salaries and wages charged to the program could be disallowed.
<u>Cause of Condition:</u>	The cause of the condition was the lack of knowledge of the requirement of the Circular in regards to the need for time certification.
<u>Recommendation:</u>	The District should develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.
<u>Status:</u>	The District has implemented a standard time certification form and the appropriate employee or other supervisory employee completes the certifications every six months.
<u>Questioned Cost:</u>	None.



Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

August 3, 2005

To the Board of Education of
Bendle Public Schools

In planning and performing our audit of the financial statements of Bendle Public Schools for the year ended June 30, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect Bendle Public Schools' ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

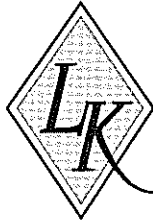
FUTURE ISSUES

GASB Statement No. 45 was issued in June 2004 and is effective prospectively in three phases in periods beginning after December 15, 2006. For Bendle Public Schools, the effective implementation date must begin by June 30, 2008. OPEB are defined as postemployment benefits other than pensions that employees earn during their years of service but that they will not receive until after they retire. They include all postemployment healthcare benefits. They also include any other type of benefits that are provided separately from a pension plan, such as life insurance, legal services, and any other benefits that the employer may provide. OPEB exclude any non-healthcare benefits provided through a pension plan.

The basic premise of GASBS No. 45 is that OPEB are earned and should be recognized when the employee provides services, just like wages or salaries paid at the end of each pay period. But because these benefits cannot be used until the employee is no longer working, they are not paid in cash until a date that may extend well into the future.

The District may wish to begin gathering the nonfinancial information needed to generate their first actuarial valuation of OPEB. Information that will be requested by actuaries will be similar to that used for pension benefit calculations and includes:

- * Listing of all benefits provided by the OPEB plan—as the terms are understood by the employer and the plan members. (This would be a good time to work with employees to convert unwritten/understood benefits to written policy.)
- * Past OPEB claims experience for the covered group—as far back as needed to create a “credible” experience database or as far back as data is available. (Actuaries will need to use a database for a comparable entity if the government is not able to generate its own database.)



Bendle Public Schools

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August 3, 2005

- * Census information about individual active and inactive plan participants, including age, sex, length of service, and so forth.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended for the information of Bendle Public Schools' Board of Education and management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Lewis & Knopf P.C.

LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS